

108TH CONGRESS  
1ST SESSION

# H. R. 311

To amend the Internal Revenue Code of 1986 to provide a 10 percent maximum capital gains tax for individuals.

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## IN THE HOUSE OF REPRESENTATIVES

JANUARY 8, 2003

Mr. PENCE (for himself, Mr. TOOMEY, Mrs. MYRICK, Mrs. JO ANN DAVIS of Virginia, Mr. GOODE, Mr. PITTS, Mr. KING of Iowa, Mr. CHOCOLA, Mr. RYUN of Kansas, Mr. TANCREDI, Mr. AKIN, Mr. WILSON of South Carolina, Mr. PEARCE, Mr. HOSTETTLER, Mr. HOEKSTRA, Mr. FEENEY, Mr. SOUDER, Mr. FLAKE, Mr. BURTON of Indiana, Mr. TERRY, Mr. TIAHRT, Mr. SHADEGG, Mr. SESSIONS, Mr. OTTER, Mr. ADERHOLT, Mr. WELDON of Florida, Mr. RYAN of Wisconsin, Mr. BARRETT of South Carolina, Mr. DEMINT, Mr. CULBERSON, Mr. DOOLITTLE, Mr. GARRETT of New Jersey, and Mr. SULLIVAN) introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to provide a 10 percent maximum capital gains tax for individuals.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “American Dream Tax  
5 Relief Act of 2003”.

1 **SEC. 2. 10 PERCENT MAXIMUM CAPITAL GAINS RATE FOR**  
 2 **INDIVIDUALS.**

3 (a) IN GENERAL.—Subsection (h) of section 1 of the  
 4 Internal Revenue Code of 1986 (relating to maximum cap-  
 5 ital gains rate) is amended to read as follows:

6 “(h) MAXIMUM CAPITAL GAINS RATE.—

7 “(1) IN GENERAL.—If a taxpayer has a net  
 8 capital gain for any taxable year, the tax imposed by  
 9 this section for such taxable year shall not exceed  
 10 the sum of—

11 “(A) a tax computed at the rates and in  
 12 the same manner as if this subsection had not  
 13 been enacted on taxable income reduced by the  
 14 net capital gain, and

15 “(B) 10 percent of the net capital gain.

16 “(2) NET CAPITAL GAIN TAKEN INTO ACCOUNT  
 17 AS INVESTMENT INCOME.—For purposes of this sub-  
 18 section, the net capital gain for any taxable year  
 19 shall be reduced (but not below zero) by the amount  
 20 which the taxpayer elects to take into account as in-  
 21 vestment income under section 163(d)(4)(B)(iii).”

22 (b) MINIMUM TAX.—

23 (1) IN GENERAL.—Paragraph (3) of section  
 24 55(b) of such Code is amended to read as follows:

25 “(3) MAXIMUM RATE OF TAX ON NET CAPITAL  
 26 GAIN OF NONCORPORATE TAXPAYERS.—The amount

determined under the first sentence of paragraph  
(1)(A)(i) shall not exceed the sum of—

“(A) the amount determined under such  
first sentence computed at the rates and in the  
same manner as if this paragraph had not been  
enacted on the taxable excess reduced by the  
net capital gain, plus

“(B) 10 percent of the lesser of the net  
capital gain or the taxable excess.”

(2) EXCLUSION OF SECTION 1202 GAIN NOT  
TREATED AS AN ITEM OF TAX PREFERENCE.—Sub-  
section (a) of section 57 of such Code is amended  
by striking paragraph (7).

(c) CONFORMING AMENDMENTS.—

(1) Subclause (II) of section 53(d)(1)(B)(ii) of  
such Code is amended by striking “, (5), and (7)”  
and inserting “and (5)”.

(2) Paragraph (1) of section 1445(e) of such  
Code is amended by striking “20 percent” and in-  
serting “10 percent”.

(3) The second sentence of section  
7518(g)(6)(A) of such Code is amended by striking  
“20 percent” and inserting “10 percent”.

1           (4) The second sentence of section 607(h)(6)(A)  
2           of the Merchant Marine Act, 1936 is amended by  
3           striking “20 percent” and inserting “10 percent”.

4           (d) TRANSITIONAL RULES.—

5           (1) IN GENERAL.—For purposes of applying  
6           subsection (h) of section 1 of such Code in the case  
7           of a taxable year which includes the date of the en-  
8           actment of this Act, the amount of tax determined  
9           under such subsection shall be the sum of—

10           (A) the amount determined under such  
11           subsection (as in effect on the day before the  
12           date of the enactment of this Act) taking into  
13           account only gain or loss properly taken into  
14           account for the portion of the taxable year be-  
15           fore the date of the enactment of this Act, and

16           (B) the amount determined under such  
17           subsection (as amended by this Act) taking into  
18           account only gain or loss properly taken into  
19           account for the portion of the taxable year on  
20           or after such date.

21           (2) ALTERNATIVE MINIMUM TAX.—For pur-  
22           poses of applying section 55(b)(3) of such Code in  
23           the case of such a taxable year, rules similar to the  
24           rules of paragraph (1) shall apply.

1           (3) PASS-THRU ENTITIES.—In applying this  
2       subsection with respect to any pass-thru entity, the  
3       determination of when gains and losses are properly  
4       taken into account shall be made at the entity level.

5       (e) EFFECTIVE DATES.—

6           (1) IN GENERAL.—Except as provided in this  
7       subsection, the amendments made by this section  
8       shall apply to taxable years ending after the date of  
9       the enactment of this Act.

10          (2) SMALL BUSINESS STOCK.—The amendment  
11       made by subsection (b)(2) shall apply to dispositions  
12       on or after the date of the enactment of this Act.

13          (3) WITHHOLDING.—The amendment made by  
14       subsection (c)(2) shall apply to amounts paid after  
15       the date of the enactment of this Act.

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